

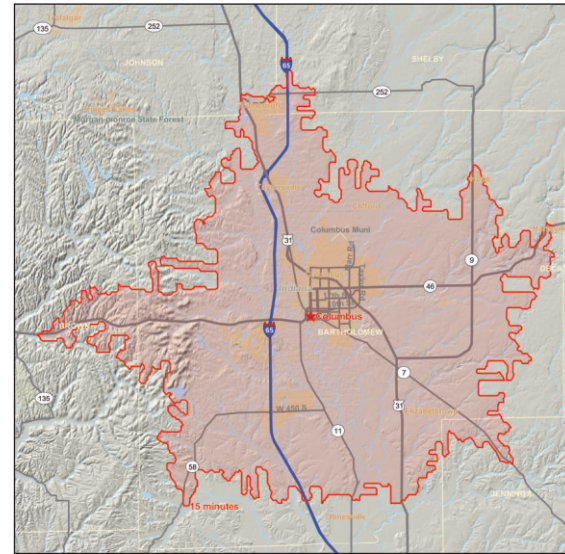
## Market Findings

### Market Context

Columbus is a small city (39,059) in southeast central Indiana, and the county seat of Bartholomew County (pop. 71,435). Columbus is 50 minutes south of Indianapolis on I-65 and 54 minutes east of Bloomington, Indiana on State Road 46. It is a regional business and commercial center serving residents in Bartholomew and parts of Jackson, Jennings, Decatur, Brown, Shelby and Johnson counties, and is the second largest community in these counties after Greenwood, Indiana (pop. 39,545). Columbus is traversed by State Roads 7, 11 and 46 and US Highway 31, and is the largest community for 34 miles (39 minutes) in any direction. Columbus is the centerpiece of its own metropolitan statistical area (Columbus-Bartholomew County) and is part of the greater Indianapolis-Anderson-Columbus Combined Statistical Area.<sup>1</sup>

### Methodology

#### Downtown Columbus 15 Minute Drive



Business Information Solutions (ESRI BIS) on or before March 2005. ESRI BIS is a national database that uses consumer spending, demographic and mapping data to analyze current markets and forecast their potential. Surveys used in this study were conducted by Development Concepts, Incorporated and Survey America of Indiana, Incorporated. All data tables, diagrams, etc. presented in this report have ESRI Business Information Solutions as their source unless otherwise stated.

### Overview

An analysis of the market potential in the area supported by public comments collected from surveys of residents indicate that the first development opportunities in Downtown Columbus are the addition of “full service” casual dining restaurants with special focus on establishments open in the evenings and on the weekends and serving a medium priced menu. These restaurants will attract additional customers to downtown and thereby create activity and build market for the subsequent establishment of bars, nightclubs and additional retail development. Additional opportunities, such as a hotel, will provide downtown with the means to capture demand from tourist and downtown employees, as well as improve the downtown business climate. The types of establishments which have the greatest potential in downtown are niche restaurants and shops, potentially developed by local entrepreneurs and stressing unique product lines or services such as a local micro-brewery or bar featuring live entertainment or dancing.

### Market Opportunity

Downtown Columbus experienced a period of economic stagnation from 1990-2000, which appears to be turning. Continued improvement will require the effective and concerted intervention from both the public and private sectors. There is a need to improve housing stock, enterprise development and parking. This will require thoughtful use of resources and incentives to encourage optimal reinvestment in the community in order to stem the decline and encourage the development of a competitive and vibrant downtown

Columbus should focus on incremental steps to improve the respective environments (live, work, play and shop) encouraging private investment while targeting markets which will provide additional resources to downtown and help to create a more positive, dynamic environment. Examples of such developments might include the establishment of a senior living neighborhood for active seniors and empty nesters and a separate enclave for the young, urban professional market. Policies designed to encourage the restoration of Columbus' older character-laden neighborhoods and older housing should be a policy priority.

With regard to entertainment and shopping, adopting policies which encourage the development of entertainment space including an active night life area in downtown and the creation of a significant local performing arts venue/exhibition space would be helpful. An early priority, however, should be extended to filling immediate community needs in the areas of food and beverage stores (i.e. groceries) and health and personal care stores. This should quickly be expanded to include additional casual dining and lifestyle retail development. Local businesses should be encouraged to effectively co-market/co-promote tourism activities with their respective retail counterparts.

Finally, in terms of employment, Downtown Columbus has substantial distance to cover in terms of diversifying its employment base. Strong evidence exists for a direct correlation between diversity, downtown quality of life and the ability to retain and expand job growth in high value industries.<sup>2</sup> Special attention should be paid to improving employment/educational opportunities for downtown residents at the lower end of the economic spectrum while attracting higher value manufacturing and professional positions. This will require definitive solutions for addressing parking and office space issues as well as providing appropriate incentives for downtown development.

### Current Market Findings

#### Demographics



The Odd Fellows building at the intersection of Sixth and Washington Streets is one location offering downtown housing.

- Columbus' downtown has experienced declines in population, income and educational attainment from 1990 through 2004.
- Household size (family size) is continuing to drop, and households are much smaller (23%) downtown than in Columbus overall. This is the result of a relative loss of married couples causing downtown to become proportionally higher in non-family households (i.e. single parents, singles, etc.).
- Downtown residents are less educated and have lower median incomes.
- Residents, and especially children, are living in increasingly poorer, more transient households often headed by younger, single parents.

#### Living

- The downtown housing market is not a vibrant market. It is characterized by higher



The income level within a trade area is critical to the success of a proposed center, not only in terms of total available dollars but also in relation to disposable income.

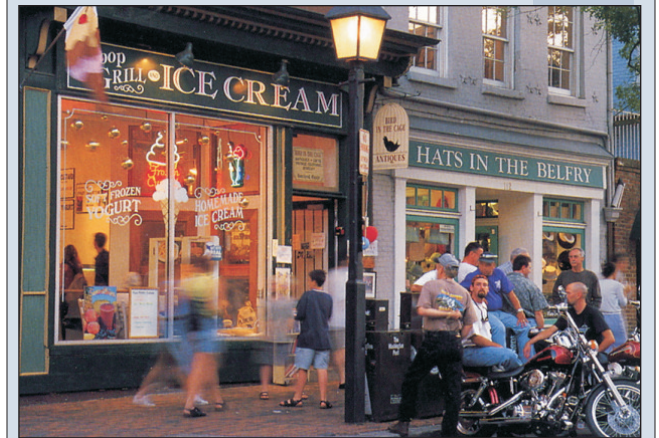
-ULI Shopping Center Development Handbook



### Did you know?

The current trend in suburban retail development is open-air centers containing upscale specialty stores, dining and entertainment. Often called “lifestyle centers”, these open-air malls are not usually anchored, but may include a large-format bookstore and multiplex cinema dispersed among small department stores. The lifestyle center endeavors to create a “sense of place” by employing elements mimicking the architecture, atmosphere and streetscapes of the traditional Main Street (i.e. Washington Street). One example, as pictured above is Clay Terrace in Carmel Indiana.

The growth of lifestyle centers across the U.S. is a strong indicator that open-air shopping is becoming popular once again. More than 100 lifestyle centers are in operation across the U.S., and that number is expected to increase to 200 by the year 2007. With careful adaptation, downtowns can capture the growth in the lifestyle center trend. Downtowns maintain a distinct advantage over lifestyle center developments that simply imitate traditional downtown shopping but do not capture the rich and unique activity associated with real mixed-use downtowns as demonstrated below.





“Demand for houses within walking distance of stores and other amenities is much stronger than most communities realize”...  
-Dowell Myers University of Southern California



**Did you know?**  
Downtowns are becoming viable housing options for a growing number of people. In particular, two groups are fueling much of the interest:  
  
Empty Nesters. Aging baby boomers means more “empty nesters” with changing lifestyles which often results in downsizing homes & additional leisure time to dine out and enjoy cultural activities – downtown becomes a desirable place to live for this demographic.

Young Professionals. These are typically 20- and 30-year olds who have not yet started a family & often enjoy amenities and activities found in many downtowns. This group also has an interest in low-maintenance housing convenient to work & services.



The positioning of a destination... begins with an assessment of its potential distinctiveness within a market region.  
-ULI - Developing Retail Entertainment Destinations

- vacancy rates and dramatically lower owner-occupancy rates than Columbus overall.
- Columbus' downtown market has marginal growth in housing units due primarily to increases in multi-family housing.
- Housing stock in downtown is of lower value and appreciating at a slower rate than similar properties elsewhere in the Columbus area.
- A substantial portion of growth in the broader community has been transfer growth of families to more suburban environments elsewhere in the city and county.



Hilliard Lyons, at the intersection of Fifth and Washington Streets, of is one of many employers in Downtown Columbus.

- low labor participation rate and higher unemployment rates relative to the rest of the community.
- Columbus' employees engaged in manufacturing ranges from 45% (downtown) to 34% (Columbus overall). This is three times the national average and twice the Indiana average.
- Columbus has an enviable downtown workplace environment and should endeavor to maintain, retain and grow downtown as a preferred business location.

- Shopping
- Surveys of Columbus residents, students, business owners, and community leaders found that ...
    - Washington Street ranked 11th out of 12 possible shopping destinations.
    - Hobby and special interest stores would bring residents downtown.
    - The most convenient time to come downtown was evenings after 5PM and on weekends.
    - Shopping is complicated by difficult parking conditions.
  - There is a shortage of supply in downtown for “food and beverage” establishments and “health and personal care” stores.
  - Downtown Columbus has additional demand potential resulting from tourists spending, and studies of tourist spending in southern Indiana reveal that 21% of tourist dollars are spent on shopping. This is the largest component of tourist spending activity.



Smith's Row Food & Spirits near the intersection of Fourth and Washington Streets is a popular downtown venue.

- Working
- The downtown workplace is a center of professional services, government and predominately business-to-business enterprises.
  - The vast majority of downtown employees are engaged in either “white collar” or “blue collar” work, but most downtown residents are employed in low wage, service or early career manufacturing/light manufacturing jobs.
  - Downtown specifically has a very

- 89% of respondents indicated that the most convenient time for dining downtown was evenings (51.7%) and weekends (37.3%).
- Survey responses suggest additional dining options are a priority over improvements in the shopping, but selection was an important theme reinforced in the survey responses.
- Parking is perceived as a major issue by 82% of respondents.
- Average tourist daily spending is \$73 and 21-22% of that was spent on dining.

Development Direction

Several surveys of Columbus residents suggested that the presence of the following types of activities were likely to increase their visits to Downtown Columbus. Table 1 presents an average, indexed score ranging from one to five for each type of activity with higher scores indicating more attractive alternatives to Columbus residents.

Table 1 - What Would Bring Residents Downtown?

Entertainment Option	Average Indexed Survey Response
Dining	
Casual Dining	2.94
Specialty Foods	2.88
Fine Dining	2.77
Fast Food/ Take-Out	2.41
Entertainment	
Performing Arts	2.76
Evening Entertainment	2.54
Art Galleries	2.45
Shopping	
Hobby/ Special Interest Shops	2.72
Pet Store Supplied	2.21

Sales Capture Scenarios

So, how do Columbus get from these survey responses to development directions? How many and what types of restaurants, entertainment and shopping options are likely to be successful in downtown? In order to make this determination, an analysis was performed on the retail market potential (supply vs. demand) for individuals living within a 15 minute drive of Downtown Columbus. Additional demand may be captured from downtown employees and tourists. For three possible sales capture scenarios, we evaluated the supply and demand data using a comparison of the expected square footage vs. the national average for each establishment category and three “retail rules of thumb” related to gross sales.<sup>3</sup>

Sales Capture Scenarios

- 10% market demand plus 25% unrealized demand
- 25% market demand plus 25% unrealized demand
- 10% market demand plus 50% unrealized demand

Retail Rules of Thumb

Gross leasable area should exceed the national average.  
Expected gross sales should exceed \$500,000 for neighborhood stores.  
Expected gross sales should exceed \$1,000,000 for community stores.

measures the relative likelihood (or potential) of households in the specified geography to exhibit certain consumer behavior or purchasing patterns compared to the U.S. Average. This information is based on the Bureau of Labor Statistics' Consumer Expenditure Interview Survey. Spending patterns are differentiated by socioeconomic characteristics and geography. They are updated to current pricing using the Consumer Price Index.

Dining

In the case of dining, residents living within 15 minutes of Downtown Columbus spend more than 92.5 million dollars annually at restaurants and bars (nearly 16% on alcoholic





beverages); however, these same residents would spend 98.6 million dollars if the right choices were available. This leaves an unrealized demand of 6.1 million dollars in the dining market. This unrealized demand is distributed in the market with 73.4% going to full service restaurants, 25.6% going to bars and nightclubs and the remaining 1% going to fast food and take-out restaurants.

Under the first sales capture scenario, there is ample demand to support the establishment of one or more Full-Service or Limited Service Restaurants and sufficient demand for a smaller bar/pub. Since the second and third scenarios are more aggressive, the prospects for establishing new, successful ventures improve in each.

	Potential Sales (P\$)	How many new restaurants could be supported by this demand?	Does the required space exceed the average space?	Does Expected Gross Sales exceed M\$0.5?	Gross Sales exceed M\$1?
Full-Service Restaurants	\$7,230,306	8.5	Yes	Yes	Yes
Limited-Service Eating Places	\$2,935,311	1.9	Yes	Yes	Yes
Drinking Places (Alcoholic Beverages)	\$613,170	0.8	No	Yes	No

Examples of the types of full service and limited service restaurants which are preferred by individuals living within a 15 minute drive of downtown are displayed in the following table, and the higher the MPI the greater the restaurants likelihood of attracting business. An MPI of 100 represents a market potential equal to that of the national average. Within a 15 minute drive of downtown the average MPI for full service restaurants is 101 while the average MPI for limited service restaurants is 103.

Table 2 - Selected MPIs for Sample Restaurants Serving the 15 minute travel time

Full Service Restaurants	MPI	Limited Service Restaurant	MPI
Chi-Chi's	124	Steak 'n Shake	121
Applebees	108	A & W	110
Lone Star Steakhouse	108	Subway	105

Shopping

In all three sales capture scenarios, there was ample demand to meet the minimum rules of thumb; however, there was insufficient demand to support an establishment comparable in size to the national average establishment of that type. In each case the differences are quite large never exceeding half a store.

Shopping	Potential Sales (P\$)	How many new stores could be supported by this demand?	Does the required space exceed the average space?	Does Expected Gross Sales exceed M\$0.5?	Gross Sales exceed M\$1?
Books, Periodical & Music Stores					
Scenario 1	\$449,831	0.3	no	No	No
Scenario 2	\$768,515	0.5	no	Yes	No
Scenario 3	\$646,552	0.4	no	Yes	No
Office Supplies, Stationary & Gift Stores					
Scenario 1	\$677,800	0.1	no	Yes	No
Scenario 2	\$917,952	0.2	no	Yes	No
Scenario 3	\$1,334,274	0.3	no	Yes	Yes
Used Merchandise Stores					
Scenario 1	\$103,734	0.1	no	No	No
Scenario 2	\$123,679	0.2	no	No	No
Scenario 3	\$229,416	0.3	no	No	No

While this does not preclude a special, niche store or a store with exceptional marketing capabilities, such as Eddie Bauer and Coldwater Creek, it might require additional business support measures. The following products show market potentials above the U.S. average and might pose an appreciable opportunity for the right retailer. Some examples of retail activities which might be able to garner sufficient market share are listed below.

Table 3 - MPIs for Various Shopping Activities

Apparel (Adults)	MPI	Pets (Households)	MPI
Bought Any Men's Apparel	104	HH Owns Any Pet	112
Bought Any Women's Apparel	100	HH Owns Any Cat	113
Bought Children's Apparel in Last 6 Months	103	HH Owns Any Dog	114
Bought Any Shoes	102	Reading Materials (Adults)	
Bought Any Watch	102	Bought Any Book	100
Computers (Households)		Read Any Daily Newspaper	103
HH Spent <\$500 on Home PC	105	Cameras & Film (Adults)	
HH Spent \$500-\$999 on Home PC	103	Bought Any Camera	101
HH Spent \$1000-\$1499 on Home PC	100	Bought Film	103

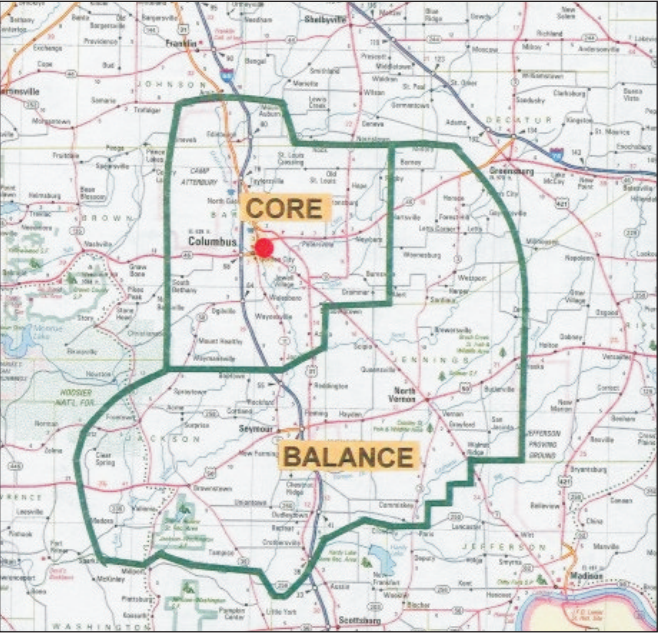
In addition to the findings of this study, other studies suggest that a significant portion of the current retail market area for some downtown retailers extends to the east and south of Columbus. This outcome recognizes the influence of Camp Atterberry to the northwest and regional malls like Greenwood Park and Edinburgh Premium Outlets.

Entertainment


With regard to entertainment, the following table illustrates the entertainment options with the greatest market potential for residents within 15 minutes of downtown which are consistent with the survey results (venue oriented). Again, it should be pointed out that these venues will also attract market share from downtown employees and tourists.

Entertainment (Adults)	MPI
Attended the Movies in Last 6 Months	97
Went to Live Theater	93
Attended a Music Performance	100
Went to a Bar/Night Club	101
Gambled at a Casino	94
Health (Adults)	
Exercised at Home 2+ Times/Week	102

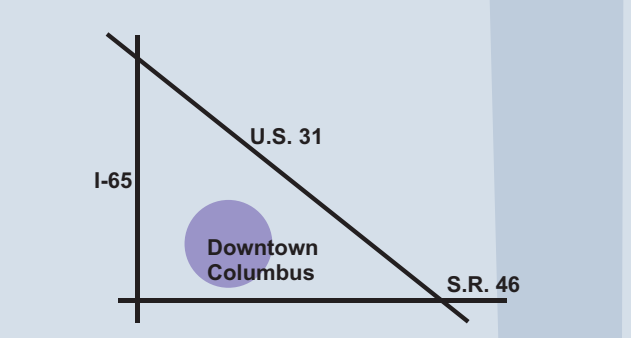
According to these results, the greatest potential venue selections are “Bar/Nightclub” and “music performance”. Bar/nightclubs which also provide a venue for live music performance also represent a significant opportunity and improve their probability of success.



“This trade area delineation is based on a review of actual charge sales transactions at a major retailer and ... represents a very reliable determination of its geographic scope.” Retail Market Analysis – The Commons Mall, HSG/Rouse Associates




Because Columbus is growing, there is potential for Downtown to capture some of the growth. Downtown is in the middle of the major thoroughfare triangle - I-65, SR 46 and US 31.



Did you know?

As the new economy continues to grow, technology and Internet use is expected to triple in the next 5 years. These growing businesses demand support and services. Communities should consider what attracts high-tech companies:

- Physical infrastructure that supports data-intensive communications
- Technology workers such as engineers and software programmers
- Local colleges and research labs
- Civic and cultural amenities that attract entrepreneurs and their families
- Financial capital to fund companies and their growth



Buildings that provide space for people to both live and work is becoming popular again throughout the United States. In many cases these live/work buildings include a store or office at street level with residential above or behind, as shown above. These spaces are particularly useful for artisans and craftspeople to create, house and display their work.

